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STATES  
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Washington, D.C. 20549

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8-15501

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III  
FACING PAGE**

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 07/01/05 AND ENDING 06/30/06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Royal Lane Securities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

10754 D Villager Road

(No. and Street)

Dallas

TX

(City)

(State)

THOMSON  
FINANCIAL

75230

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

CF & Co., L.L.P.

(Name - if individual, state last, first, middle name)

14175 Proton Rd.

(Address)

Dallas

(City)

TX

(State)

75244

(Zip Code)

CHECK ONE:

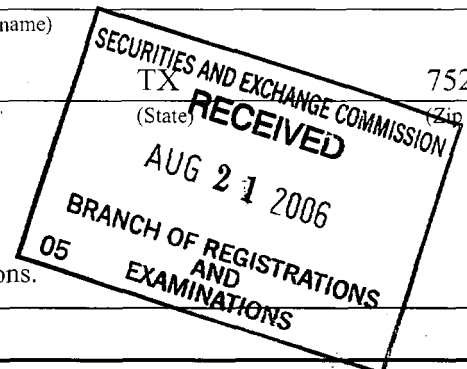
☒  
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Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

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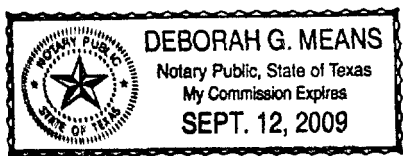
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

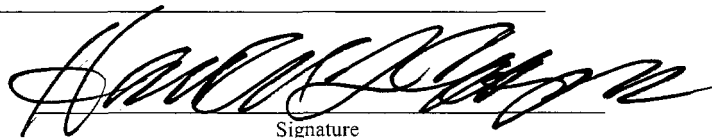
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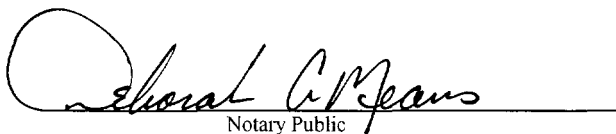
## OATH OR AFFIRMATION

I, Harold Cooper, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Royal Lane Securities, Inc., as of June 30, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



  
Signature

\_\_\_\_\_  
President  
Title

  
Notary Public

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ROYAL LANE SECURITIES, INC.  
REPORT PURSUANT TO RULE 17a-5(d)  
YEAR ENDED JUNE 30, 2006

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ROYAL LANE SECURITIES, INC.

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**CF & Co., L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

Independent Auditor's Report

Board of Directors  
Royal Lane Securities, Inc.

We have audited the accompanying statement of financial condition of Royal Lane Securities, Inc., as of June 30, 2006, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Royal Lane Securities, Inc. as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CF & Co., L.L.P.

Dallas, Texas  
July 7, 2006

ROYAL LANE SECURITIES, INC.  
Statement of Financial Condition  
June 30, 2006

**ASSETS**

Cash and cash equivalents	\$ 21,288
Commission receivable	1,270
Loan to officer	<u>7,242</u>
	<u>\$ 29,800</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accrued expenses and other liabilities	\$ 464
Federal income taxes payable	<u>84</u>
	<u>548</u>

**Stockholder's equity**

Common stock, 50,000 shares authorized with \$1.00 par value, 30,000 shares issued and 21,000 shares outstanding	30,000
Additional paid in capital	8,695
Retained earnings	<u>5,557</u>
	44,252
Less: Treasury stock 9,000 shares at cost	<u>(15,000)</u>
Total stockholder's equity	<u>29,252</u>
	<u>\$ 29,800</u>

The accompanying notes are an integral part of these financial statements.

ROYAL LANE SECURITIES, INC.  
Statement of Income  
For the Year Ended June 30, 2006

**Revenues**

Securities commissions	\$ 29,344
Revenue from sale of investment company shares	8,168
Dividend income	180
Interest income	7,144
Miscellaneous	<u>691</u>
	<u>45,527</u>

**Expenses**

Salaries	15,889
Communications	12,880
Occupancy and equipment costs	10,135
Promotional costs	13
Regulatory fees and expenses	4,648
Other expenses	<u>1,410</u>
	<u>44,975</u>

Income before income taxes	552
Provision for income taxes	<u>84</u>
Net income	<u>\$ 468</u>

The accompanying notes are an integral part of these financial statements.

ROYAL LANE SECURITIES, INC.  
Statement of Changes in Stockholder's Equity  
For the Year Ended June 30, 2006

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
Balances at June 30, 2005	\$ 30,000	\$ 8,695	\$ 5,089	\$ (15,000)	\$ 28,784
Net income	_____	_____	468	_____	468
Balances at June 30, 2006	<u>\$ 30,000</u>	<u>\$ 8,695</u>	<u>\$ 5,557</u>	<u>\$ (15,000)</u>	<u>\$ 29,252</u>

The accompanying notes are an integral part of these financial statements.



ROYAL LANE SECURITIES, INC.  
Statement of Changes in Liabilities Subordinated  
to Claims of General Creditors  
For the Year Ended June 30, 2006

Balance, at June 30, 2005	\$ -0-
Increases	-0-
Decreases	<u>-0-</u>
Balance, at June 30, 2006	<u>\$ -0-</u>

The accompanying notes are an integral part of these financial statements.

ROYAL LANE SECURITIES, INC.  
Statement of Cash Flows  
For the Year Ended June 30, 2006

**Cash flows from operating activities:**

Net income	\$ 468
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	1,029
Change in assets and liabilities:	
Increase in commission receivable	(1,270)
Decrease in loan to stockholder	1,044
Decrease in federal income taxes payable	(99)
Increase in accrued expense and other liabilities	<u>222</u>
Net cash provided by operating activities	<u>1,394</u>

**Cash flows from investing activities:**

Purchase of computer equipment	<u>(1,029)</u>
Net cash (used) by investing activities	<u>(1,029)</u>

**Cash flows from financing activities:**

Net cash provided by financing activities	<u>-0-</u>
Net increase in cash and cash equivalents	365
Cash and cash equivalents at beginning of year	<u>20,923</u>
Cash and cash equivalents at end of year	<u>\$ 21,288</u>

**Supplemental Disclosures of Cash Flow Information**

Cash paid during the year for:

Interest	<u>\$ -0-</u>
Income taxes	<u>\$ 183</u>

The accompanying notes are an integral part of these financial statements.

ROYAL LANE SECURITIES, INC.

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies

Royal Lane Securities, Inc. (the "Company") is a broker-dealer in securities registered with the Securities and Exchange Commission under (S.E.C.) Rule 15c3-3(k)(2)(ii) which provides that all the funds and securities belonging to the Company's customers would be handled by a clearing broker-dealer. Receivables from brokers and dealers are due from the Company's clearing broker-dealer. Substantially all of the Company's business is conducted with customers located in the Dallas, Texas metroplex.

**Security Transactions**

Purchases and sales of securities and commission revenue and expense are recorded on a trade date basis.

**Security Valuation**

Marketable securities owned and securities sold but not yet purchased are recorded at quoted market value. Securities and investments which are not readily marketable are carried at fair value as determined by management of the Company. Unrealized gains and losses are credited or charged to operations.

**Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. The provision for federal income taxes differs from the expected amount using statutory rates because certain expenses included in the determination of net income are non-deductible for tax reporting purposes.

**Furniture and Fixtures**

Depreciation of furniture and fixtures was provided on an accelerated basis and written off in the year of acquisition. This does not materially differ from an accelerated basis over 3 to 5 years. All the furniture and fixtures was fully depreciated at June 30, 2006.

**Cash Equivalents**

For purposes of reporting cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business.

ROYAL LANE SECURITIES, INC.

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies, continued

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At June 30, 2006, the Company had net capital of approximately \$21,898 and net capital requirements of \$5,000. The Company's ratio of aggregate indebtedness to net capital was .03 to 1. The Company is permitted an aggregate indebtedness to net capital ratio of no greater than 15 to 1.

Note 3 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (S.E.C.) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

Note 4 - Related Parties

During the year the Company paid \$3,000 to its sole stockholder for rental of computer equipment. There is a \$7,242 non-interest bearing demand note due from the sole stockholder.

Note 5 - Commitment and Contingencies

Included in the Company's clearing agreement with its clearing broker-dealer, is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on the unsettled trade. At June 30, 2006, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Supplemental Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934  
As of June 30, 2006

## Schedule I

ROYAL LANE SECURITIES, INC.  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
As of June 30, 2006

### COMPUTATION OF NET CAPITAL

Total stockholder's equity qualified for net capital	\$ 29,252
Add:	
Other deductions or allowable credits	<u>-0-</u>
Total capital and allowable subordinated liabilities	29,252
Deductions and/or charges	
Non-allowable assets:	
Loan to officer	<u>(7,242)</u>
Net capital before haircuts on securities positions	22,010
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f)):	
Other securities	<u>(112)</u>
Net capital	<u>\$ 21,898</u>

### AGGREGATE INDEBTEDNESS

Items included in statement of financial condition	
Accrued expenses	\$ <u>548</u>
Total aggregate indebtedness	<u>\$ 548</u>

**Schedule I (continued)**

ROYAL LANE SECURITIES, INC.  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
As of June 30, 2006

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6 2/3% of total aggregate indebtedness)	\$ <u>37</u>
Minimum dollar net capital requirement of reporting broker or dealer	\$ <u>5,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	\$ <u>5,000</u>
Net capital in excess of required minimum	\$ <u>16,898</u>
Excess net capital at 1000%	\$ <u>21,843</u>
Ratio: Aggregate indebtedness to net capital	<u>.03 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

There were no material differences in the computation of net capital under Rule 15c3-1 from the Company's computation.

## **Schedule II**

### ROYAL LANE SECURITIES, INC.

#### Computation for Determination of Reserve Requirements Under

#### Rule 15c3-3 of the Securities and Exchange Commission

As of June 30, 2006

### **EXEMPTIVE PROVISIONS**

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Southwest Securities, Inc.



Independent Auditor's Report

On Internal Control

Required By SEC Rule 17a-5

Year Ended June 30, 2006



INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17a-5

Board of Directors  
Royal Lane Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Royal Lane Securities, Inc. (the "Company"), for the year ended June 30, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives.

Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly

to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "CF & Co., LLP", is positioned above the printed name of the firm.

CF & Co., L.L.P.

Dallas, Texas  
July 7, 2006